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20th CENTURY

AN AUSTRALIAN QUARTERLY REVIEW

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Book Reviews.*

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AUSTRALIA'S NEW ORDER—

Fact or Fiction



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FOREWORD

During 1944, 1945 and 1946, the "C.W." published a series of articles which were entitled "Post-War Reconstruction." As a result of numerous requests, the "C.W." has decided to publish these articles in pamphlet form.

The articles commenced with an examination of Australia's international economic obligations as a consequence of her acceptance of the Atlantic Charter and the Mutual Aid Agreement.

Australia adopted what has been termed a Full Employment approach to her obligations, and the articles critically appraised this approach.

But a consideration of Full Employment Policy in its international aspect led inevitably to an examination of the effects of a policy of Full Employment on Australia's domestic economy. Finally, the "C.W." Committee felt that the articles should be concluded with a succinct statement of the "C.W." programme, i.e., the formation of an organic society founded on well-distributed property.

There are, then, four sections:—

Part I.—Australia and International Economic Reconstruction.

Part II.—Full Employment Approach of Australian Government.

Part III.—The Organic Society.

Part IV.—Restoration of Ownership to the People.

This pamphlet contains the first three parts. Part IV is published as a separate pamphlet, ("C.W." Pamphlet No. 2).

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AUSTRALIA'S NEW ORDER— Fact or Fiction

Part I

Australia and International Economic Reconstruction

(a) AUSTRALIA'S OBLIGATION

Australia has contracted various political and economic obligations. The economic obligations will play a major part in the determination of our future economy and, for that reason, are worthy of our closest study.

The restrictions imposed by many nations on world trade contributed largely to the creation of economic conditions which paved the way to war. The second Great War was more than an economic struggle, but trade restrictive measures had contributed to the creation of that ill-will between nations which precipitated the crisis.

Until the Great Depression, international trade was relatively free, and nations found it easy to participate in it.

In 1930, America imposed the Hawley-Smoot Tariff which virtually closed the American market to most exporting countries. The United Kingdom and European nations found themselves excluded from a major world market, and prevented from paying their war debts in the only medium by which they could be paid—goods. In an effort to protect itself from the trend to economic nationalism, the United Kingdom imposed the Import Duties Act in 1932, which effectively prohibited a large range of goods from entering that country.

Later in the same year the United Kingdom and the Dominions attempted to establish an Imperial trading system by the Ottawa Agreement.

The combined effect of the Import Duties Act and the Ottawa Agreement fell particularly upon European manufactures—and semi-manufactures (chiefly German)—of Danish foodstuffs and of South American meat. The policy of economic nationalism was copied and carried to extremes by most nations in the late thirties, particularly by Italy, Germany, Russia and, to a lesser extent, Japan.

AUSTRALIA'S TRADE POLICY

Australia proved no exception to the general rule. The Trade Diversion Policy of 1936 imposed severe restrictions on products from Japan and

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America. Politically and economically, this policy had nothing to recommend it, as it offended, in one blow, two major Pacific powers. The effect of the policy on Australia was very apparent in the depression of the prices of our primary products and the difficulty experienced in marketing them.

All nations are agreed that, politically and economically, the economic nationalism of the thirties was disastrous. Accordingly, the United Nations have framed obligations with the purpose of freeing international trade in the post-war years. The Atlantic Charter and the Mutual Aid Agreement specifically provide for the elimination of trade restrictive practices. Australia is a party to both those agreements, and accordingly has assumed obligations under them.

The relevant part of the Atlantic Charter reads as follows:—

"They will endeavour, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victorious or vanquished, of access on equal terms to trade and to the raw materials of the world which are needed for their economic prosperity."

The obligations of Australia in the international economic sphere are more specifically outlined in Article 7 of the Mutual Aid Agreement of March 11, 1941, to which Australia declared its acceptance in February, 1942. Article 7 reads:—

"In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations."

"To that end they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers."

Australia, then, is committed to the elimination of "discriminatory treatment" and to the "reduction of trade barriers." How does the Australian Government interpret its obligations under the Atlantic Charter and the Mutual Aid Agreement?

(b) AUSTRALIAN ATTITUDE TO PLANNING

The first attempt to explain the Australian approach to international economic reconstruction was contained in a series of newspaper articles written by the then Minister of Post War Reconstruction, Mr. Chifley, in December, 1943.

Mr. Chifley contended that all nations should collaborate to pursue a domestic policy of full employment. "General acceptance by all nations of domestic policies of full employment is the indispensable basis of stable and fruitful peace."

The adoption of this domestic economic policy would mean rising national incomes and would result in international economic conditions in which it would be comparatively easy to reduce tariffs, to adopt a world monetary system, etc.

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Mr. Chifley summed up the Australian attitude as follows:— "It is increasingly recognised that international collaboration . . . will fulfil our hopes only if each country's internal policy marches in step with those of other nations towards common goals . . . rising employment and consumption."

Dr. Evatt clarified the Australian attitude to international reconstruction in his speech on the Canadian Mutual Aid Agreement in the House of Representatives on March 17th, 1944. An extract from Dr. Evatt's speech reads:—"The Australian Government stresses the importance of domestic policies of full employment as the basic policy which should be followed in promoting post-war international economic collaboration."

"Our view is, that it is by maintaining high levels of employment and consumption throughout the world, and especially in the major countries, that prosperity, increased consumption of goods, and expansion of trade can be effected, and the economic objectives of the Atlantic Charter fulfilled." Dr. Evatt considered that this approach was particularly necessary for nations, like Australia, which rely, to a great extent, on overseas markets for the sale of their products.

Finally, Dr. Evatt outlined five points which would govern the attitude of the Australian Government towards economic collaboration:—

1. The Australian Government favours an international agreement by which all nations bind themselves to pursue domestic policies of full employment.
2. In the immediate post war period the Australian Government will support "such forms of international economic collaboration as should make it unnecessary for nations to adopt policies of extreme nationalism."
3. In the long run Australia would favour the maximum degree of international economic collaboration. This would need to be achieved gradually.
4. Dependent economies, such as Australia, should be allowed to use economic measures as may prove necessary to maintain stability.
5. Finally, any economic agreement should take account of the peculiar difficulties of nations which have been engaged in a total war effort for some time.

At the 1944 International Labour Office Conference, the Australian representative, Mr. Beasley, emphasised the need for an international agreement on full employment. However, Mr. Beasley failed to gain the support of the majority of the nations at the conference, partly because many nations did not then agree completely with the Australian approach to international economic reconstruction.

(c) AUSTRALIA'S ATTITUDE EXAMINED.

There can be little argument about Australia's basic plea for an international agreement on full employment. Obviously, an individual in regular employment, earning £5 a week, will buy far more goods than an individual, irregularly employed, earning the same weekly wage. The same reasoning can be applied to nations. All nations are agreed on the necessity of maintaining full employment in the post-war years, but they differ on the way full employment can be secured within a particular economy.

The Australian Government maintains that full employment within a particular economy will primarily depend on the adoption of certain domestic measures within the country. These measures have been outlined in theory by Keynes in England and Hansen in America, and applied in

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practice by Germany and Russia. (These measures are examined in Part II of this pamphlet).

But the British and American Governments assert that more than domestic measures are required. They contend that, given the present world economy, full employment can only be maintained within a particular country for any period if international trade is flourishing.

That is, if tariffs are reduced to a minimum and if a healthy international monetary system is evolved and international loans are made available for the development of backward countries (such as India and China).

The Australian Government would not deny that all these measures are necessary, but it holds that an agreement on full employment must precede them.

In fact, the true solution consists in a combination of both attitudes. All nations must be determined on the pursuance of domestic measures which will reduce unemployment to a minimum. This, however, will not be sufficient.

No one can deny that the combined effect of the Import Duties Act and the Ottawa Preferential system was widespread distress and unemployment in many European countries.

It is equally evident that unstable monetary conditions had a disturbing effect on many nations and helped to create unemployment within their territories.

REAL INTERNATIONAL COLLABORATION

An international agreement on full employment must be accompanied by a firm determination to reduce unnecessary trade restrictions and to promote a healthy international monetary system.

This does not mean that Australia should become a free trade nation overnight, nor that Australia should abolish all protective tariffs.

Australia must be allowed to retain and develop its infant industries, provided those industries can hope to compete in the world market within a reasonable period.

Nor does it mean that Australia and other smaller nations should have their economic systems dictated to them by powerful industrial nations and interests overseas. No doubt Dr. Evatt had this well and truly in his mind when he delivered his speech on the Canadian Mutual Aid Agreement.

But it does mean Australia should avoid unnatural economic policies, e.g., the Trade Diversion Policy, and should abandon immediately many restrictive trade measures serving no purpose except the creation of ill-will in nations which are affected by them.

There is a chance that the present Australian approach to international economic reconstruction, carried to extremes, may result in the adoption of a policy of economic nationalism within Australia which would be disastrous.

Australia's future is secure in a world of expanding trade and with the terms of trade moving in favour of primary products, but it would be most uncertain in a world economy characterised by a return to economic nationalism. In that case full employment might be maintained in Australia, but it would be full employment at a reduced standard of living.

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(d) AUSTRALIA & INTERNATIONAL MONETARY POLICY.

1. What is the Monetary Fund?

In August, 1944, experts of the United Nations at Bretton Woods accepted an international monetary plan. The greatest danger from an international plan of this character is its possible dominance by a few large nations in their own interests and to the detriment of the smaller nations. Has this plan overcome this possible danger?

Two monetary plans were originally advanced. The first by Keynes of England; the second by White of America. Differences in these plans were ironed out and a common set of principles drafted by the two men. At the conference at Bretton Woods in America experts of other United Nations agreed substantially with these principles.

The main features of this plan are as follow:—

(1) A fund will be established by subscriptions from member countries. From this fund members, in exchange for their own currencies, will be able to obtain the currencies of other nations to settle current obligations. The fund for all the United Nations will approximate to 8 billion dollars.

(2) Original subscriptions to the fund will be paid partly in a member's own currency and partly in gold.

(3) A member can be prevented from using the Fund's facilities if the Fund's holding of its currency amounts to 200 per cent. of its quota or if they have increased by more than 25 per cent. in a year.

(4) A member can alter its exchange rate by 10 per cent. But permission to alter its exchange rate by a further 10 per cent. must be obtained from the Fund which is required to agree provided it is necessary to correct a "fundamental disequilibrium."

(5) If a member is reaching the limit of its overdraft rights, the Fund can tender the member a report "setting out its views." If, on the other hand, a nation's currency is becoming scarce, the Fund shall report on the causes of the scarcity and propose an equitable means of rationing the scarce currency.

(6) A nation is allowed to withdraw from the Fund at any time and is allowed to liquidate its liabilities within a reasonable time.

(7) The Fund is not intended to apply to the transitional period after the war or to transactions on capital account.

Associated with the International Monetary Fund is the proposed International Bank for Reconstruction and Development. This is designed to grant or guarantee loans to nations for the rehabilitation of devastated areas or the development of backward ones. In the immediate post-war years most of the loans will be made by America but all members may be asked to shoulder some of the risk.

II. Analysis of Monetary Fund.

The International Monetary Fund is designed to facilitate world trade and to assist political stability by liberalising and controlling international monetary policy. It seeks to overthrow the automatic methods for regulating world trade which were provided by the gold exchange system.

Under this system with its fixed exchange rates, an adverse balance of payments was automatically corrected by deflation within the nation. Deflation usually resulted in declining prices, decreased production and wholesale unemployment. In other words our exchange rates remained stable at the expense of the lives and welfare of the workers within the nation.

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The automatic correction of the gold exchange system was criticised on three main grounds. First, it caused unemployment as deflation caused a contraction of production. Secondly, it enabled the creditor to gain at the expense of the debtor: the banker at the expense of the worker, the small business and the farmer. Thirdly, the system rarely proved self-regulating, as deflation degenerated into depression and spread to other nations.

In the thirties, most countries rejected the automatism of the gold exchange system. Some separated their economies, as far as possible, from the world economy. They became autarchies with their people living, as a result, at a reduced standard of living. Few nations possess the physical resources to adopt this extreme policy. The Western nations formed Exchange Equalising Funds which evened out short term fluctuations and remedied long term instability by varying the exchange rate.

TESTS OF SATISFACTORY FUND

A satisfactory monetary fund must allow the nations to pursue their own domestic financial policies, must safeguard domestic economies against external deflationary movements without causing a country to adopt the extreme policy of autarchy, and must achieve relative stability in the international monetary sphere. Australia is particularly interested in these objectives since its balance of payments are subject to great fluctuations because of the variations in the quantity of its exports and the prices received for them.

In achieving these objectives the main provisions to be watched are: (1) the size of the quotas, and the overdraft right, since these determine the amount of accommodation which a member can obtain from the Fund; (2) the right a member has to vary its exchange rates, since this determines the extent to which a nation can isolate its economy from external deflation, and (3) the right of a member to withdraw since this determines the extent to which a nation can contract out of the Fund's obligations should these prove restrictive.

The quota allowed to Australia is £A62.5m. and the overdraft right is £A15.6m. These amounts should be sufficient for Australia's purposes, particularly as Australia will undoubtedly have monetary resources outside the Fund. If Australia finds that its balance of payments are in long term instability, then it can alter its exchange rate by up to 10 per cent without the permission of the Fund and by a further 10 per cent. with the Fund's permission which must be given if it is necessary to correct a "fundamental disequilibrium." This provision almost certainly ensures the isolating of a nation's economy from an external deflationary movement. Finally a nation has the right to withdraw at any time providing it liquidates its obligations within a stipulated period.

The Fund, then, seems to be satisfactory. It rejects the principles of the gold exchange standard and adopts an expansionist outlook to international monetary problems. It is significant that Wall Street bankers oppose the Fund, no doubt because they see their power challenged. It remains to be seen, however, whether the operations of the Fund will prove as enlightened as the principles animating it.

III. Success of Monetary Fund Depends on America.

Early in 1946 the Australian Government delayed acceptance of the Bretton Woods' Agreement and the "C.W." commented as follows:—

The Australian Government acted wisely when it delayed its acceptance of the Bretton Woods' Monetary Agreement.

The "C.W." adopts this attitude not because it opposes the Agreement, but because the Agreement can only succeed if America takes the

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lead in abolishing restrictive trade practices. At the moment there is no indication that America intends to "give a lead" in this matter.

Opposition to Bretton Woods in Australia emanates from two sources. Some claim that it detracts from Australian sovereignty. This is a dangerous half-truth. Any nation that engages in international trade surrenders some of its sovereignty.

This can best be explained by an example. If I play football in the backyard on my own, I can frame my own rules and regulations. But if I belong to a football team and play in an organised competition, I must be prepared to obey the rules and regulations of the competition.

I surrender some of my freedom, but no one doubts that I am the gainer because of that surrender.

The second source of opposition comes from the "Full Employment" economic schools. They claim that the Agreement does not allow enough latitude to a nation to protect itself from the effects of unemployment in other countries. The original plan has been modified to permit greater freedom in this respect. In assessing this criticism it is well to remember that some of the "Full Employment" school very nearly favour a policy of self sufficiency for a nation.

But the Australian Government is wise in delaying acceptance of the Agreement, for the Agreement cannot succeed unless there is a reduction of trade barriers and a freeing of world trade. America holds the key to the expansion of world trade.

Unless America is prepared to "give a lead" to the world by reducing its own trade barriers, Bretton Woods stands little chance of success. Already, under the terms of the Anglo-American loan, England is committed to a reduction of trade barriers and a modification of Imperial Preference. America has no such commitments.

America's attitude to tariffs will be tested at the International Trade Conference scheduled for 1947. The Australian Government will be wise to delay acceptance of the Bretton Woods Agreement until after this Conference.

(e) AUSTRALIA & INTERNATIONAL FOOD POLICY

A basic freedom enshrined in the Atlantic Charter is freedom from want. The United Nations attempted to give concrete expression to this fundamental right at the United Nations Food Conference held at Hot Springs in May, 1943. A permanent organisation — the United Nations Food and Agricultural Organisation — was formed to implement this basic freedom.

The Food Conference examined the food problem from three angles:—

- (a) How much and what kind of food is needed by the people;
- (b) What kind of agricultural policy is required to give the people this food;
- (c) How far and in what way is it possible to cheapen the method of distributing food.

The Conference considered that nutritional surveys had revealed that, in every country (including Australia), some people were undernourished. It advised that the best means of ensuring that everyone had an adequate diet was to pursue expansionist policies which would ensure everyone a job and a rising standard of living.

The Conference recommended that each nation should base its agricultural policy on two principles:—

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(i) Each country should produce those commodities which it is best suited to produce, e.g. if Australia can produce wheat cheaper than Europe, then Europe should import wheat from Australia and concentrate on protective foods, e.g. meat and milk.

(ii) But each nation should, as far as possible, establish a diversified rural economy and not concentrate on the production of one crop. Specialisation in one crop, it was considered, led to the exploitation of the soil.

Finally the Conference recommended several methods for cheapening the method of distributing food to the people.

JUST PRICE FOR FARMER

But making more food available to the people is only one aspect of food in the new order. The other side consists in ensuring to farmers a just return for their produce and in ironing out the wide fluctuations in prices of primary produce. In the thirties the farmer was not paid a just price for his produce. He was "sweated" by the community. These conditions must not persist in the "New Order."

Lamartine Yates in his book "Commodity Control" outlines two approaches to this second food problem. One school of thought considers that the problem can be solved by the use of the buffer stock technique. A Control would be formed for each commodity which would declare a basic price for the commodity. The Control would purchase supplies when the price declined a certain percentage below the basic price and thus prevent the market price from falling too low. When the market price rose a certain percentage above the basic price, the Control would sell its stocks and thus prevent the price from rising too high. In this way the plan would benefit both producers and consumers and confine the market price within definite limits.

The other school considers that the emphasis should be on obtaining a reasonable price for the producer. This price would be supported by provisions concerning export quotas, production control and minimum and maximum stocks.

Both plans have two purposes, first to secure a just price for the farmer for his produce, and secondly, to make sufficient food available to the people.

The buffer stock plan would prevent the wide fluctuations in the price of primary produce, but, for commodities which are in chronic world oversupply, it is necessary to bring supply and demand into equilibrium by regulating production, exports and stock.

In the "New Order" farmers must secure a just price for their produce and consumers must be assured of freedom from want. If the people cannot pay a just price for the produce, the remedy consists not in reducing the price of the produce but in raising the standard of living of the people.

(f) AUSTRALIA AND INTERNATIONAL TRADE POLICY

The proposed International Trade Conference scheduled for April, 1947 at Geneva, which will conduct multilateral negotiations on trade restrictions, virtually throws the whole of Australia's trade policy in the balance.

It is the most important international trade conference in which Australia has participated since the Ottawa Conference of 1932, and its consequences may be just as far reaching for this country.

Before we can arrive at an accurate assessment of this Conference we must understand the present basis of our trade policy.

In the twenties world trade suffered from comparatively few restrictions, Australia was relatively prosperous and found ready markets for her

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exportable surpluses, which were chiefly primary products. The United Kingdom was not our only export market. Quite a considerable amount of wool, wheat, meat, apples and metals was marketed in European countries.

The advent of the world depression (1929-1933) resulted in severe restrictions being imposed on world trade. America imposed the famous Hawley-Smoot tariff, which virtually closed that country to world trade. European nations sought to insulate themselves from the effects of the depression by all types of tariffs and restrictive measures. The United Kingdom imposed its Import Duties Act in 1932, and then promulgated an Imperial Trading Arrangement at the Ottawa Conference in 1932.

The Ottawa Agreement has shaped Australian trade policy from 1932 to the present time. It ensured a market for our dairy produce and meat, and assisted in the disposal of our dried vine fruits, canned fruits, wine and sugar. It could afford no assistance to our two chief exports — wool and wheat — as these rely on the world market.

On the other hand, Ottawa, by formula, limited the amount of protection Australia could extend to its secondary industries. Australia adopted the policy of protection for its industries in the twenties. The system became so extensive that only a few export industries (wool, meat, hides and gold) now exist without some measure of protection. It is these few industries which, in the main, bear the cost of the protection extended to the rest of Australia's production.

Finally, Australia's trade policy has been conditioned, to a minor degree, by the trade treaties concluded with New Zealand and Canada which mainly benefit our dried vine and canned fruits, and by the treaties with France, Belgium, Czechoslovakia, and Switzerland mainly intended to aid our wool exports.

WHAT SHOULD BE OUR POLICY?

What is to be Australia's future trade policy? The first point to realise, in any attempt to frame our policy, must be that the terms of trade have moved in favour of our primary products. And this is a long term trend for most of them. Consequently, it would suit Australia if world markets were opened to her exports. Australia may desire, then, substantial reduction in trade barriers.

But Australia may be required to modify or, to renounce completely the Ottawa system in order to obtain corresponding trade concessions from other countries. Neither England nor Australia would be prepared to scrap the Ottawa system unless she obtained adequate concessions in return. The key lies with America. How far is she prepared to go in reducing her trade barriers? There is little chance of extensive multilateral trade concessions unless America is willing to play her part.

It would suit Australia, too, if she could obtain satisfactory world arrangements for her primary products. Wheat particularly requires some form of an International Agreement, and the other primary products could have arrangements modelled closely on the existing plan for wool.

But Australia cannot hope to secure concessions from other countries unless she, in return, is prepared to grant concessions. Our policy of high protection must be drastically overhauled and revised. It is high time that many of our industries stood "on their own feet" and faced up to overseas competition. But it is hard to reduce or abolish protective duties once they are imposed, since politicians, unless they be very courageous and honest, fear the loss of a few votes.

The future of our Australian Trade Policy may well be determined at Geneva. It is to be hoped that the Australian Delegation is both wise and courageous in its approach to the problem.

Part II

Full Employment Approach of Australian Government

(a) KEYNES' THEORY ON FULL EMPLOYMENT.

The Australian Government, in its White Paper on Full Employment (1945) declared the main aim of its domestic reconstruction programme to be the maintenance of full employment at expanding living standards.

The Government White Paper has been influenced primarily by the teachings of J. M. Keynes in his book "The General Theory of Employment, Interest and Money," published in 1936. It is no overstatement to say that Keynes completely revolutionised economic thinking.

The point of Keynes' book was that he challenged, on economic grounds, the idea of the old classical economists that certain natural laws determined the economic system and that it was wrong for the State to interfere with the working of these laws.

Christians have always opposed the ideas of the classical school for the Christian contends that the guiding principles in the economic sphere should be justice and charity and that the State has the duty to intervene in the economic life if these principles are infringed. In the depression common sense joined with Christianity in opposing the old ideas. In 1936 Keynes swung the weight of economic analysis behind the Christian approach.

Under the capitalist system there was always a pool of unemployed workers. This suited the capitalists since it enabled them to play off one worker against another and to keep down the level of wages, thus lowering costs. Moreover, the pool of unemployed labour acted as a discipline to the workers in employment. The boss could always bring a recalcitrant worker to heel by threatening him with the sack.

Again, at certain fairly regular intervals under the capitalist system there existed, what the economists call, cyclical unemployment. That is to say, for a few years a large number of workers were out of employment. Under capitalism, then, workers were forced to live most of the time very near the breadline, and, at times, many workers, plus their wives and families, starved.

Now the first aim of the Australian Government is to reduce the pool of unemployed labour to a minimum. There will always be some unemployed, either because of sickness or because workers are changing from one industry to another. The second aim is to eliminate cyclical unemployment. This is the objective exercising the Government's mind most at the present time. The third aim is to increase the standard of living of the Australian workers.

CYCLICAL UNEMPLOYMENT

In planning to eliminate cyclical unemployment the Government has largely relied on the ideas advanced by Keynes.

Keynes' theory may be briefly summarised as follows:—

The stimulus to economic activity within a nation is derived mainly from investment in productive enterprise by private investors. The initial cause of a depression is provided by these private investors losing confidence in the future return on their investments. In other words, they are unwilling to invest sufficient money in productive enterprises.

The effect of this unwillingness to invest is transmitted throughout the industrial system. Firms close down, workers are thrown out of employment and the amount of income available for expenditure on consumption goods is generally reduced. This, in turn, intensifies the depression.

Keynes argued, then, that a depression can be largely overcome by positive action on the part of the State to stimulate investment when it is lagging and to increase consumption. Investment can be stimulated by the State undertaking, on the first sign of reduced economic activity, a vigorous public works programme. Some reconstructionists would go further and contend that the State should supervise and direct the whole field of investment, whether by private individuals or public institutions.

Consumers' incomes would be increased by the public works programme undertaken by the State, but it is also intended to increase the income of workers by a redistribution of income within the community. This would be accomplished either by reducing the burden of taxation on low income families and keeping it at a high level on the upper incomes or by using the proceeds of taxation to expand the social services available in the community.

The implementation of the above measures would involve great changes in our social structure. It would mean increased Government interference in the economic life; control over the money system; greater Government ownership of the means of production; a continuation of the system of rationing and price control at least for some years.

(b) ANALYSIS OF FULL EMPLOYMENT THEORY.

This theory has been adopted by all types of people. The powerful "Economist," mouthpiece of English financial and industrial interests, has adopted it.

The socialists and planners have adopted it as the catch-cry for their type of society. They urge that the workers' standards of living should be raised. But they have no intention of paying the worker a just wage. Instead, they mean to dole out to him social services which they can control and direct. As Beveridge wrote, the worker cannot be trusted to spend his higher wages on the goods the State wants him to spend them on.

The old system which, for its own ends, maintained a pool of unemployed workers all the time and which condemned many workers to unemployment at frequent intervals was a vicious one. The Government's determination to rid the ordinary worker of the spectre of unemployment is just and right. The worker is entitled to a job at a wage sufficient to support himself, his wife and family. It is up to any Government to assure him of this minimum and to banish the terror of unemployment. In its determination to accomplish this objective, the Government is entitled to high praise.

But the post-war economy from which unemployment is banished will be the same kind of an economy as we know today. The officials who foisted this post-war policy on the Government think that the capitalist economy is pretty good. The only objection they have to capitalism is the people who run it. They want to get rid of these controllers and replace them by a new type of controller. The new controller will be a government official. In plain language they will be the controllers in the new order.

The ordinary worker will find himself in exactly the same position as he occupies at the present time under finance capitalism. He will remain an employee exercising no control over the industry in which he is working. Having no control, he will possess no property. In other words he will remain a propertyless wage slave.

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RULE BY ECONOMISTS

The second major criticism of the new order is that control will be handed over to the economists. It is inevitable that this should happen. Many economists worked themselves into good positions in the Public Service during the war. This economic theory of full employment continues their control into the new order.

If this was not so tragic, it would be almost laughable in view of their stupid blunders during the last depression and in the recent war. In the depression their cure for unemployment was to put more workers out of a job and to depress the standard of living of those workers in a job. A policy, incidentally, which suited the capitalists. In the recent war their idea of a total war economy was one in which the ordinary rights and liberties of the individual were abolished, the fundamental social unit, the family, was challenged, and the small property owner was ruined. Again, a policy which suited the capitalists.

Economists can perform a very useful function in society in advising their Governments on economic policy. But, once they proceed beyond this limit, and insist that economic ends are the only ends in society and that elementary liberties should be overthrown in order to secure these ends, they cease to fulfil their true function.

The real danger of an economy in which control is vested in the economists is that it will lead almost inevitably to a dictatorship of the economists. The sole test of the justice of a particular action may be whether or not it promotes a policy of full employment. Individual liberties may be curtailed or abolished on the ground that they prevent the attainment of full employment. For example if, through the mismanagement of the economists, another depression occurs, the workers may be told that the controllers must have the power of industrial conscription in order to overcome the depression.

It would be merely a matter of time before the rights and liberties of the individuals were overthrown and control of the economy was concentrated completely in the hands of a small clique of economists.

Keynes' theories must be fitted to human nature, not human nature to Keynes' theories.

The fundamental rights of the human being must not be infringed in the implementation of these theories. Moreover, these theories must be implemented in a form of society which ensures the worker his just rights, a form of society based on well distributed property, a form of society in which ownership and control of the productive resources are not concentrated in a few hands, whether those hands be capitalists or civil servants, but in which the mass of men are admitted to ownership and control.

The indirect, long-term, benefits of a policy of full employment may be very great. The worker will attain a new outlook to his work. He will no longer be haunted by the fear of unemployment. The removal of this disciplinary lash will enable him to show his discontent with his present status in production. He will press for greater participation in the running of his factory. He will want a share in the control of the undertaking. He will no longer be content to be a propertyless wage slave. He will demand a share in ownership.

We welcome the Government White Paper on Full Employment. We welcome the rebuff which it gives to the old, unjust economic theories which inspired the old order. But the views expressed in the White Paper do not necessarily mean that true reconstruction will be achieved.

The battle for the application of the theories in a just form of society has yet to be fought and won.

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Part III

The Organic Society

(a) PRINCIPLES OF A NEW ORDER

The Government's aim of Full Employment at rising living standards is a good one. But real reconstruction can only be obtained if the workers are admitted to ownership and control in the industries in which they are engaged.

We have seen that the system of finance capitalism was dominated by a few powerful financiers. These men established a form of economic tyranny; in the new order this tyranny may be continued, the tyrants this time being "the bright young things" who will climb and have climbed to key positions in the public service.

Whereas the capitalists ruled because they had the money, the new economic clique considers it should rule because of its brains. Neither has anything in common with the workers. THEIR economic position would remain the same under socialism as under capitalism. Freedom and ownership would still be denied them.

We have seen that an economy in which everything is subordinate to the basic policy of full employment may lead to a regimented economy... a planned economy, in which every right of the worker might be subordinate to the basic aim of full employment.

The reforms of the Economists are merely reactionary. The revolutionary method of reconstruction is to restore to the worker, ownership and control in the industry in which he works. In plain language this means restoring to the worker his basic right, property. In the past we have thought of property as a share in a business. This was not and is not true property. Shareholders take no active share in the direction of their business. They exercise no control over the business. Property, in this sense, cannot be the true Christian ideal of property. For the Christian has traditionally upheld the idea of ownership and control should actually belong to the workers engaged in the particular enterprise.

Property, then, must assume a different form in the new order. There can certainly be no return to the old order in which the mass of men were deprived of property and a few collected all the means of production into their hands. In the new order property must be returned to the workers. The restoration of property will make possible the formation of an organic society in Australia.

(b) WHAT IS AN ORGANIC SOCIETY?

What is an organic society? What is the difference between our present society and an organic society? These questions can be best answered by a quick survey of the development of modern society.

Modern society is the product of nineteenth century liberalism. Liberalism stressed the rights of the individual and minimised those of the State. Liberty degenerated into licence, and the best form of Government was held to be that which governed least. In the economic sphere, the tradition of non-interference by the Government and the pitiless struggle for

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high profits leading to the survival of the fittest, divided society into two mutually antagonistic classes — the workers and the capitalists.

Pope Pius XI wrote in "Quadragesimo Anno" in 1931: "None the less the demand and supply of labour divides men on the labour market into two classes, as into two camps, and the bargaining between these two parties transforms this labour market into an arena where the two armies are engaged in combat. To this grave disorder which is leading surely to ruin, a remedy must evidently be applied as speedily as possible."

Most people will agree that capitalism has failed. Most people wish to see an end of that system. But the query is: "With what system can we replace it?" Many social reformers consider that it should be replaced by some type of State control.

Well, that has been tried in Italy, Germany and Russia, and it has resulted only in the loss of all freedom by the ordinary individual and the dominance of the state by a small clique. Socialism or collectivism is the natural conclusion of capitalism; it merely involves a change of masters.

The problem is to evolve a just social order which will assure the individual his fundamental freedoms.

RIGHTS OF INDIVIDUAL SOCIETY

Man is a social animal. For the completion of his personality he needs to live in society. It is only the exceptional man who can live the life of a hermit. The individual man, by his very nature, possesses certain rights, e.g. the right to live, the right to marry. But the society to which a man belongs also possesses certain rights.

Individualism exaggerates the rights of the individual; collectivism, the rights of society. The rights of the individual and the rights of society may sometimes come into conflict. In this instance there will be a certain amount of "give and take," e.g. the right of the individual to freedom may be restricted by the State in wartime.

Consequently, there must be a hierarchy of rights between individuals and groups, between groups and groups, between groups and the State. A form of society must, then, be secured which will assure individuals and groups of their respective rights, which will enable them to attain their particular ends and thus promote the common good under the general direction of the State.

Instead of a society based on two mutually antagonistic classes, there must be formed a functional or organic society. A society which will secure a proper balance between the rights of the individual and the state, which will recognise the rights of associations formed by individuals, and which will function like a living human body. Like the human body it will be composed of cells and organs, each having a specific function to perform and each contributing to the general welfare.

(c) THE CELLS OF AN ORGANIC SOCIETY.

What are the organs and cells of the economic life of the nation?

The obvious organ in the economic sphere is the particular industry in which a man works. That industry around which is centred the whole of a man's economic activities is a natural unit in society. It is a unit as natural as the family itself but, of course, not as fundamental as the family. Like the family, the industry possesses rights and functions.

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Within the industry, an obvious cell is the particular factory in which a man works. Like the industry, the factory will have rights and responsibilities.

It is only natural, then, that the different elements which engage in a particular industry should combine to form a group for that industry. This group may be called a guild, a vocational organisation or an industrial council. Pope Pius XI considered the formation of an industrial council "a natural and spontaneous development."

Moreover, the formation of industrial councils is inherent in the very nature of man. Man, we have seen, is a social animal. That is why the State exists. But it is equally obvious that the State is not the only association a man will form. He will form associations for all kinds of purposes, e.g. cricket clubs, debating societies, social clubs. In fact, association is a natural outcome for man and the State has no right to interfere with associations formed for a lawful purpose.

The right of man to form associations is a natural right and the State has no power to cancel it.

If, then, it be natural for man to associate and if an industry be a natural unit in society, it is quite apparent that people engaged in a particular industry will unite to form an industrial council. Without industrial councils there cannot be that true and genuine social order which has been defined by St. Thomas Aquinas as "unity arising from the apt arrangement of a plurality of objects". Moreover, the State has no right to object to the formation of this natural association.

PRINCIPLE OF SUBSIDIARITY

Allied with the principle of Organic Growth is the Principle of Subsidiarity. Pius XI states this as follows:— "Just as it is wrong to withdraw from the individual and commit to the community at large what private industry and enterprise can accomplish, so too it is an injustice, a grave evil and a disturbance of right order for a larger and higher organisation to arrogate to itself functions which can be performed efficiently by smaller and lower bodies".

Again Pope Pius writes:— "Of its very nature, the true aim of all society activity should be to help individual members of the social body, but never to destroy or absorb them".

This principle is apparent in our local government. The State should interfere as little as possible with the local governing bodies. It should only intervene to aid in the solution of a problem which is beyond the power or capacity of the local bodies.

If, then, the industrial council be a natural organ in the economic sphere, and, if the principle of subsidiarity is to apply in this sphere, the State must allow the industrial council a large amount of self-government for the industry. The industrial council has the right to govern that industry in its own right; the State does not confer that right upon it.

Moreover, the State is not fitted to regulate the economic life of a particular industry. Civil servants cannot hope to understand the many problems and peculiarities of every industry. If the State does attempt to organise, it will soon find that it is concerned with a multiplicity of tasks about which it has no great knowledge.

Industries, through their industrial councils, are well fitted to manage their own affairs and the State need only supervise the actions of these councils in the interests of the common good.

The State must be there to curb and watch the industrial council in order to see that none of its actions endanger the common good and that the groups do not become selfish monopolies.

(d) THE RIGHTS OF INDUSTRIAL COUNCILS.

Once these industrial councils are formed, it is fairly obvious that the members of each industry should have the right to determine their own rules and authority.

This principle is freely admitted, e.g. the individuals who combine to form a trade union or a debating society are the persons responsible for drawing up the constitution of these societies. Moreover, they are the only ones capable of doing this, since they alone are familiar with the particular problems of the organisation.

But, in framing the rules and regulations of the Industrial Council, they must take account of the rights of other associations within the industry, e.g., the trade union, as well as the rights of industrial councils formed for other industries. Moreover, the State would have the right to inspect the rules and regulations to ensure that none infringes the common good.

Pope Pius XI stressed this right when he wrote: "Our Predecessor explained clearly and lucidly the nature of free associations. We are content, therefore, to emphasise this one point: not only is man free to institute these unions of a private character, but he has the right 'further to adopt such organisations and such rules as may best conduce to the attainment of their respective objects.' The same liberty must be claimed for the founding of associations which extend beyond the limits of a single trade."

The industrial council, then, has the right of self-government. But, to be effective, it must have something more than this.

It must have the right to enforce laws and regulations made by it. The State, then, must confer upon it legal authority to make and to enforce laws.

In some respects it resembles a trade union which has the right to enforce its regulations upon its members. But a "recalcitrant member or group can withdraw from the trade union. The industrial council, however, would have the right to enforce its laws upon every member of the industry. In this way it resembles a municipality, which has the necessary legal authority to enforce its bye-laws on everyone living within the municipality.

Everyone living within the municipality's area must belong to the municipality. Nor does any citizen feel that his freedom is circumscribed by reason of this fact. Similarly, all who work within a particular industry must belong to the industrial council for that industry, and the industrial council has the authority to enforce its decisions upon its members.

The industrial council needs legal powers because it will require to legislate upon matters which relate to the public law. For example, it will determine wages within the industry, regulate hours of work, determine working conditions, etc.

It could not hope to function effectively unless its decisions had the binding force of law. The industrial councils will be public bodies possessing statutory powers. It is hardly necessary to emphasise once again that the State will have the right to veto any legislation of the councils which may be likely to endanger the common good.

(e) WHAT IS THE STATE'S JOB?

It may be objected that the industrial councils would form selfish cartels and would merely act as pressure groups. Where does the State come in? Who is going to settle the disputes between the respective industry associations?

These queries can best be disposed of by getting down to first principles once again. All civil authority is designed to promote the common good which has been defined as "the aggregate of social conditions which help men to accomplish their human and spiritual destiny." In order to promote the common good man unites in society since, in himself, he is incomplete.

As Pope Leo XIII wrote, the public authority must step in "when- ever the general interest or any particular class suffers or is threatened with evils" "which can in no other way be met."

It is not difficult to conceive that there may be a conflict of interests between the State and the "industry associations" or, within the "industry associations," between the local and regional and national councils.

The State has primary and secondary functions in relation to the common good. By reason of its primary functions, the State would define rights, end disputes, etc. By reason of its secondary functions the State would supply any deficiency which private persons, the family or free associations cannot overcome.

It is obvious that there must be a hierarchy of rights, i.e., the State would take precedence over the "industry associations" and the "national industry association" over the regional or local associations.

STATE'S POWER TO VETO

Because the supreme function of the State is to promote the common good and because the "industry associations" are subsidiary in relation to the State, the State has the duty to intervene if the action of a particular "industry association" or the national council of industry associations threatens the general welfare of society.

The State must have the power to veto any action of the industry associations. The right of these associations to self-government is a relative one. If this were not the case there would be a real danger of cartelisation in society.

But the State has more than the mere right of veto over the actions of the "industry associations." The State has the right to co-ordinate their separate activities and to direct, encourage and restrain them in relation to the general welfare. In other words the State must supervise their functions and activities in order to safeguard the common good.

Perhaps this point can be best understood by the application of the principles of the Government White Paper on Full Employment to a society organised on the lines suggested.

The Government Department responsible for the implementing of the Government's policy would discuss the general principles with the national council of industry associations and would rely on them to implement the policy. But to ensure they were doing so the Government authority would exercise a supervisory function over the actions of the "industry associations,"—vetoing them if they were likely to infringe the common good and counselling these bodies when it was considered necessary.

The guiding principle of these "industry associations" must be to promote the common good. If this were the case, far from being selfish pressure groups, they would be responsible organs exercising the functions for which they were naturally suited.

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(f) IS ORGANIC SOCIETY POSSIBLE IN AUSTRALIA?

How far does the organic form of society exist in Australia today? How far will it be possible to build our economic and social life on this basis in the future?

It may be contended that Australia bears many of the marks of an organic society. This is true particularly in agriculture and the professions.

In agriculture the need for maximum decentralisation during the war was seen when the District War Agricultural Committees were formed. These Committees were superimposed on the rural community from above, they possessed no statutory powers and, since they were appointed rather than elected, they did not reflect the true opinion of farmers generally. But the idea inspiring these Committees was good, no matter how deficient its execution may have been.

The second notable trend in agriculture is the formation by the farmers themselves of the Primary Producers' Council. This Council hopes to have affiliated with it the important producers' organisations. It already has the support of many.

If a marriage of the above trends could be effected and a decentralised administration established for farmers on a commodity basis, then a great step forward in the formation of an organic structure for agriculture would be made. Already the Central Executive of the Victorian Labour Party is pledged to the formation of this type of society.

The professions are already pretty well established on an organic basis. Doctors, lawyers and accountants have strong representative organisations which are responsible for the internal control of the vocation.

They determine the standard of craftsmanship needed to practice in the profession, enforce a certain ethical code among their members, discipline recalcitrant members and, in general regulate the internal administration of the profession.

In industry the development is not so pronounced or so wide-spread. Why should this distinction exist between agriculture and the professions on the one hand and industry on the other?

The essential difference lies in the fact that property is widespread among farmers and professional men but, in industry the mass of workers have been deprived of property. Ownership within industry is concentrated in a few hands.

The formation of an organic society for industry is dependent on a wider distribution of property. Unless property be restored to the workers, there can be no true organic structure.

This fact, however, should not prevent attempts to form an organic state. These attempts, in themselves, will force a better distribution of property on industry.

An organic administration for industry would need to be built on the existing organisations in industry, particularly trade unions and employers' associations.

The union, whether of employers or of workers, is the natural expression of the desire of men to associate. The unions would send equal representation with the employer's associations to a joint council. Eventually the joint council must obtain statutory powers, otherwise it would not be able to govern an industry.

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These statutory powers could not be conferred upon it until it was representative of the industry, i.e. when its membership included most workers and businesses in the industry. Moreover, the joint council must show itself to be a true self-governing body, honest, responsible and disciplined. Mr. F. K. Maher, in his booklet, "Self-Government for Industry," has intimated how the joint council could be linked with the Arbitration System.

The joint council or industry council would exist, where necessary, on the local, regional and national basis. A link would be required with other industry councils at these levels. The structure would culminate in a national industry council representative of all industry councils.

We have sketched the general principles which should inspire a society formed on an organic basis. The form which this type of society would take in the professions, in industry and in agriculture would have to be worked out by the people engaged in these vocations.

The very term organic connotes growth from below. It cannot be superimposed from above. Because an organic society must grow naturally, it may have to grow slowly. The speed of its growth will depend upon the suitability of its economic and political environment, and this requires the possession of a correct outlook by the bulk of its citizens. To think, work, and pray for the speedy creation of an organic Australia should be the duty and privilege of every Christian, of every worker, of every patriot.